GOVERNMENT OF INDIA
CHEMICALS AND FERTILIZERS
LOK SABHA

UNSTARRED QUESTION NO:2191
ANSWERED ON:05.08.2003
FERTILIZER PLANTS BASED ON FEED STOCKS
BASUDEB ACHARIA

Will the Minister of CHEMICALS AND FERTILIZERS be pleased to state:

(a) whether it is a fact that except for the gas based, plants with other feed stocks are unviable;

(b) if so, the reasons for making fertilizer plants based on the other feed stocks;

(c) whether there is any justification for closing oil based plants while oil price is falling internationally;

(d) if so, the details thereof; and

(e) if not, the reasons therefor?

Answer

THE MINISTER OF STATE IN THE MINISTRY OF CHEMICALS AND FERTILIZERS (DR. CHHATTRA PAL SINGH)

(a) to (e) : The cost of production of urea manufacturing units based on natural gas as the feedstock is less than those of urea units based on other feedstock such as naphtha and Fuel Oil (FO)/Low Sulphur Heavy Stock (LSHS) because natural gas is a cheaper and more efficient feedstock. Under the New Pricing Scheme for urea units which has come into effect from 1.4.2003, urea units have been placed in six groups based on vintage and feedstock for determining the group based concession rates. These groups are pre-1992 gas based units, post-1992 gas based units, pre-1992 naphtha based units, post- 1992 naphtha based units, FO/LSHS based units and mixed energy based units.

The NPS has been introduced to ensure greater transparency, efficiency and uniformity in subsidy payments and inducing urea units to take cost reduction measures on their own to be competitive.

Prior to 1980, nitrogenous fertilizer plants were based mainly on naphtha as feedstock. A number of fuel oil based urea units were also set up during 1978 to 1982. With associated and free gas becoming available from offshore Bombay High and South Bassein basins, a number of gas based urea units have been set up since 1985. In view of the declining availability of domestic natural gas, imported Liquefied Natural Gas (LNG) is expected to be used by existing natural gas based urea units to meet the shortfall of domestic natural gas and by those non-gas based urea units which plan to switchover to LNG as feedstock.